

Instr: 20101150045420
P: 1 of 7 F: \$55.00 11/15/2010
Rick Campbell 9:00AM LEAS
Stark County Recorder T20100037548

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 10 day of November, 2010
by and between Kuttler Machine Inc.
15383 Lisbon St. NE
Minerva, Ohio 44657; Phone 330-962-2185
hereinafter called the Lessor, and D&L Energy, Inc., 2761 Salt Springs Rd., Youngstown,
Ohio 44509, hereinafter called the Lessee,

WITNESSETH:

1. That the Lessor, for and in consideration of one dollar (\$1.00) and other valuable consideration in hand paid by the Lessee, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby lease and let exclusively unto the Lessee, for the purpose of drilling, operation for, producing and removing oil and gas and all the constituents thereof, and of injecting air, gas, brine and other substances from any source and into any subsurface strata, other than potable water strata and workable coal strata, (including but not limited to the right to inject any wells on the leasehold property and to otherwise conduct all such secondary or tertiary operations as may be required in the opinion of the Lessee,) and to transport by pipelines or otherwise across and through said lands oil, gas and their constituents from the subject and other lands, regardless of the source of such gas or the location of the wells, which right to transport gas from other lands across the leasehold premises shall survive the term of this lease for so long as the transportation of such gas may be desired by the Lessee, and of placing of tanks, equipment, roads and structures thereon to procure and operate for the said products, together with the right to enter into and upon the leased premises at all time for the

aforsaid purposes, being all that certain tract of land situated in Paris City/Township,
Stark County, Commonwealth/State of Ohio
being District, Map, Parcel:, 4105827 containing
32.33 acres, more or less and bounded now or formerly by lands of:

North by lands of: Crum/Fireland East by lands of: Backwell

South by lands of: St Rt 172 West by lands of: Crum

Sec: 11 Tn: 17 Rng: 6 Ext: _____

2. This lease shall continue in force and the rights granted hereunder be quietly enjoyed by the Lessee for a term of 1st (3) years and so much longer thereafter as oil or gas or their constituents are produced or are capable of being produced on the premises in paying quantities, in the judgment of the Lessee, or as the premises shall be operated by the Lessee in the search for oil and gas and as provided in Paragraph 7 following.

3. This lease, however, shall become null and void and all rights of either party hereunder shall cease and terminate unless, within 12 months from the date hereof, a well shall be commenced on the premises, or unless the Lessee shall thereafter pay a delay rental of \$1.00 Dollars each year, payments to be made annually until the commencement of a well. A well shall be deemed commenced when preparations for drilling have been commenced. This lease shall not terminate for nonpayment of delay rentals unless the Lessor first gives Lessee thirty (30) days written notice by certified mail of such nonpayment, and Lessee fails to tender such payment to Lessor within said thirty (30) day period.

LEASE # 1503910

OIL AND GAS LEASE – page 2

4. In consideration of the premises the Lessee covenants and agrees:

(A) To deliver to the credit of the Lessor in tanks or pipelines, as royalty, free of cost, the equal one-eighth (1/8) part of all oil produced and saved from the premises, or at Lessee's option to pay Lessor the market price for such one-eighth (1/8) royalty oil at the published rate for oil of like grade and gravity prevailing on the date such oil is run into tanks or pipelines.

(B) To pay to the Lessor, as royalty for the gas marketed and used off the premises and produced from each well drilled thereon, the sum of one-eighth (1/8) of the price paid to Lessee per thousand cubic feet of such gas so marketed and used, measured in accordance with Boyle's Law for the measurement of gas at varying pressures, on the basis of 10 ounces above 14.73 pounds atmospheric pressure, at a standard base temperature of 60° Fahrenheit and stipulated flowing temperature of 60° Fahrenheit, without allowance for temperature and barometric variations less any charges for transportation or compression paid by Lessee to deliver the gas for sale. Payment or royalty for gas marketed during any calendar month to be on or about the 30th day after receipt of such funds by the Lessee.

(C) Lessee to deduct from payments in (A) and (B) above from receipts of proceeds by Lessee, Lessor's prorata share of any tax imposed by any government body.


5. All money due under this lease shall be paid or tendered to the Lessor by check made payable to the order of and mailed to **Same as above** at **Same as above** and the said named person shall continue as Lessor's agent to receive any and all sums payable under this lease regardless of changes in ownership in the premises, or in the oil or gas or their constituents, or in the rentals or royalties accruing hereunder until delivery to the Lessee of notice of change of ownership as hereinafter provided.

6. In the event a well drilled hereunder is a dry hole and is plugged according to law, this lease shall become null and void and all rights of either party hereunder shall cease and terminate, unless within (12) months from the date of the completion of the plugging of such well, the Lessee shall commence another well, or unless the Lessee after the termination of said twelve month period resumes the payment of delay rental as hereinabove provided.

7. In the event a well drilled hereunder is a producing well and the Lessee is unable to market the production therefrom, or should production cease from a producing well drilled on the premises, or should the Lessee desire to shut in producing wells, the Lessee agrees to pay the Lessor, commencing on the date one year from the completion of such producing well or the cessation of production, or the shutting in of producing wells, an advance royalty in the amount and under the terms hereinabove provided for delay rental until production is marketed and sold off the premises or such well is plugged and abandoned according to law. In the event no delay rentals are stated, the advance royalty payable hereunder shall be made on the basis of \$1.00 per acre per year.

8. The consideration, land rentals or royalties paid and to be paid, as herein provided, are and will be accepted by the Lessor as adequate and full consideration for all the rights herein granted to the Lessee, and the further right of drilling or not drilling on the leased premises, whether to offset producing wells on adjacent or adjoining lands or otherwise, as the Lessee may elect.

9. The Lessor hereby grants to the Lessee the right at any time to consolidate the leased premises or any part thereof or strata therein with other lands to form an oil and gas development unit of not more than 640 acres, or such larger unit as may be required by state law or regulation for the purpose of drilling a well thereon, but the Lessee shall in no event be required to drill more than one well on such unit. Any well drilled on said development unit whether or not located on the leased premises, shall nevertheless be deemed to be located upon the leased premises within the meaning and for the provisions and covenants of this lease to the same effect as if all the lands comprising said unit were described in and subject to this lease; provided, however, that only the owner of the lands on which such well is located may take gas for use in one dwelling house on such owner's lands in accordance with the provisions of this lease, and provided further that the Lessor agrees to accept, in lieu of the one-eighth (1/8) oil and gas royalty hereinbefore provided, that proportion of such one-eighth (1/8) royalty which the acreage consolidated bears to the total number of acres comprising said development unit. The Lessee shall effect such consolidation by executing a declaration of consolidation with the same formality as this oil and gas lease setting forth the leases or portions thereof consolidated, the royalty distribution and recording the same in the recorder's office at the courthouse in the county in which the leased premises are located and by mailing a copy thereof to the Lessor at the address hereinabove set forth unless the Lessee is furnished with another address. If the well on said development unit shall thereafter be shut in, the well rental or shut-in royalty hereinbefore provided for such use shall be payable to the owners of the parcels of land comprising said unit in the proportion that the acreage of each parcel bears to the entire acreage consolidated. Lessee shall have the right to amend, alter or correct any such consolidation at any time in the same manner as herein provided.


Instr: 201011150045420 11/15/2010
P: 3 of 7 F: \$69.00 9:00AM LEAS
Rick Campbell T20100037548
Stark County Recorder

OIL AND GAS LEASE – page 3

10. In case the Lessor owns a less interest in the above described premises than the entire and undivided fee simple therein, then the royalties and rentals herein provided for shall be paid to the Lessor only in the proportion which such interest bears to the whole and undivided fee. If said land is owned by two or more parties, or the ownership of any interest therein should hereafter be transferred by sale, devise or operation of law, said land, nevertheless, may be held, developed and operated as an entirety, and the rentals and royalties shall be divided among and paid to such several owners in the proportion that the acreage owned by each such owner bears to the entire leased acreage.

11. No change of ownership in the leased premises or in the rentals or royalties hereunder shall be binding on the Lessee until after notice to the Lessee by delivery of notice in writing duly signed by the parties to the instrument of conveyance or assignment and delivery of a duly certified copy thereof to the Lessee.

12. The Lessee shall have the right to assign and transfer the within lease in whole or in part, and Lessor waives notice of any assignment or transfer of the within lease. Failure of payment of rental or royalty on any part of this lease shall not void this lease as to any other part. Lessor agrees that when and if the within lease is assigned; the Lessee herein shall have no further obligations hereunder. The Lessor further grants to the Lessee, for the protection of the Lessee's interest hereunder, the right to pay and satisfy and claim or lien against the Lessor's interest in the premises as herein leased and thereupon to become subrogated to the rights of such claimant or lien holder, and the right to direct payment of all rentals and royalties to apply on the payment of any existing liens on the premises.

13. The Lessee shall bury, when so requested by the Lessor, all pipelines used to conduct oil and gas to, on, through and off the premises and pay all damages to growing crops caused by operations under this lease. Lessee agrees to restore the premises in accordance with state laws. Any damages if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one thereof to be appointed by the Lessor, one by the Lessee, and the third by the two so appointed, and the award of such three persons shall be final and conclusive and binding on all parties. Each party shall pay the cost of their appraiser and shall share the cost of the third appraiser. Arbitration shall be mandatory.

14. The Lessee shall have the privilege of using sufficient oil, gas and water for operating on the premises and the right at any time during or after the expiration of this lease to remove all pipe, well casing, machinery, equipment or fixtures placed on the premises. The Lessee shall have the right to surrender this lease or any portion thereof by written notice to the Lessor describing the portion which it elects to surrender, or by returning the lease to the Lessor with the endorsement of surrender thereof, or by recording the surrender or partial surrender of this lease any of which shall be a full and legal surrender of this lease as to all of the premises or such portion thereof as the surrender shall indicate and a cancellation of all liabilities under the same of each and all parties hereto relating in any way to the portion of all the premises indicated on said surrender, and the land rental hereinbefore set forth shall be reduced in proportion to the acreage surrendered.

15. In the event the Lessee is unable to perform any of the acts to be performed by the Lessee by reason of force majeure, including but not limited to acts of God, strikes, riots, and governmental restrictions including but not limited to restrictions on the use of roads, this lease shall nevertheless remain in full force and effect until the Lessee can perform said act or acts and in no event shall the within lease expire for a period of ninety days after the termination of any force majeure.

16. In the event Lessor considers that Lessee has not complied with any of its obligations hereunder either express or implied. Lessor shall notify Lessee in writing setting out specifically in what respects Lessee has breached this contract. Lessee shall then have thirty (30) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor on said lease for any cause, and no such action shall be brought until the lapse of thirty (30) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any part of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.

17. In consideration of the acceptance of this lease by the Lessee, the Lessor agrees for himself and his heirs, successors and assigns that no other lease for the minerals covered by this lease shall be granted by the Lessor during the term of this lease or any extension or renewal thereof granted to the Lessee herein.

OIL AND GAS LEASE – page 4

18. All covenants and conditions between the parties hereto shall extend to their heirs, personal representatives, successors and assigns, and the Lessor hereby warrants and agrees to defend the title to the lands herein described. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof, and no implied covenant, agreement or obligation shall be read into this agreement or imposed upon the parties or either of them. Lessor further agrees to sign such additional documents as may be reasonably requested by Lessee to perfect Lessee's title to the oil and gas leased herein and such other documents relating to the sale of production as may be required by Lessee or others.

IN WITNESS WHEREOF the Lessor hereunto set their hand(s),

Signed and acknowledged
in the presence of:

SIGNATURE OF LESSOR

Kuttler Machine Inc
Kuttler Machine Inc

By:

Randy Benedict
Randy BENEDICT, VP Oper.
(print name)

By:

(print name)

STATE/Commonwealth of Ohio :
COUNTY OF Stark : SS: CORPORATION

Before me, the undersigned Notary Public in and for the above County and State, personally appeared Randy Benedict, who after first being duly sworn according to law, acknowledged before me that he/she is the VP/OP of Kuttler Machine Inc and that he/she did execute the foregoing instrument in such capacity and that the same was his/her free act and deed individually and as such officer and authorized agent, and the free and corporate act and deed of said Kuttler Machine Inc, for the uses therein contained.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal this 10 day of November, 2010.



Christopher A. Boehm
Christopher A. Boehm, Notary Public
My Commission Expires
July 19, 2015

Corporation

This instrument prepared by:
D&L Energy, Inc., 2761 Salt Springs Road, Youngstown, OH 44509

ADDENDUM OF OIL AND GAS LEASE

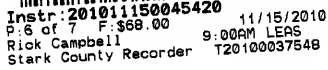
THIS ADDENDUM OF OIL AND GAS LEASE, dated this 10 day of November, 2010, by and between Kuttler Machine Inc

of 15343 Lisbon St. NE
Minerva, Ohio 44657

hereinafter referred to as Lessor, and D&L Energy, Inc., an Ohio Corporation, of 2761 Salt Springs Rd, Youngstown, OH 44509, hereinafter referred to as Lessee, hereby agree as follows:

2nd (400 MCF)

- 1.) The Lessor may, at Lessor's sole risk and cost, lay a pipeline to any one gas well on the premises, and take gas produced from said well for domestic use in one (1) Building on the leased premises, at Lessor's own risk, subject to the use and the right of abandonment of the well by the Lessee, and subject to any curtailments or shut-in by any purchaser of the gas. The first 400 MCF of gas taken each year shall be free of cost, but all gas in excess of 400 MCF of gas taken in each year shall be paid for at the last published rates of the gas utility in the town or area nearest to the leased premises or the field market rate, whichever is higher. Lessor to lay and maintain the pipeline and furnish regulators and other necessary equipment at Lessor's expense. Lessor shall also, at the request of Lessee, install a meter to measure said gas. This privilege is upon the condition precedent that the Lessor shall subscribe to and be bound by the reasonable rules and regulations of the Lessee relating to use of free gas, receipt of which is hereby acknowledged, and Lessor shall maintain the said pipeline, regulators and equipment in good repair and free of all gas leaks and operate the same so as not to cause waste or unnecessary leaks of gas. If the Lessor shall take excess gas as aforesaid in any year and fail to pay for the same, the Lessee may deduct payment for such excess gas from any rentals or royalties accruing to the Lessor hereunder. Lessor acknowledges that he has been advised as to the risks inherent in the taking of gas in this manner, and Lessor agrees to assume all such risks whether same be caused by Lessor's lines or equipment, or whether same be caused by Lessee's equipment or well operation; and Lessor agrees to hold Lessee and the well operator and all parties in interest in any well on the leasehold premises harmless from any claims of any nature whatsoever which may rise by the usage of gas from any such well by Lessor, his heirs, executors, administrators and assigns. Lessor further agrees that upon the sale or transfer of the leasehold premises wherein someone other than the Lessor is entitled to take the gas under this paragraph, that the gas supply will be terminated by Lessee until the Buyer of the property executes an agreement regarding the usage of the gas in the same form as the within agreement. In the absence of such an agreement free gas under this provision shall terminate, the within right of free gas not being assignable without the consent of the Lessee. Lessor further agrees to adhere to rules and regulations relating to the use of free gas as outlined in the Domestic Gas Use Release.
- 2.) At such time as a well drilled on the leased premises commences producing and marketing natural gas, one and only one Lessor owning a residential dwelling located on the leased premises may elect, if not connecting, for the use of natural gas as provided for in the lease, to receive "in lieu of" the allotment of natural gas, a "cash equivalency" payment based upon the allotment volume of natural gas set forth in the lease times the annualized wellhead price for the gas sold from a well drilled upon the leased premises. The "in lieu of" payment shall be prorated based



on the number of months during the calendar year the gas was produced and marketed by Lessee. Such "in lieu of" payment shall be made annually by Lessee on or before the end of the first quarter of each subsequent calendar year. The election of Lessor to receive the "in lieu of" payment must be made to Lessee in writing and the beginning date of the "in lieu of" payment period shall be the first day of the calendar month following Lessee's receipt of such written notice. Lessor may only change its election to either connect for the use of gas or to receive the "in lieu of" payment herein described once during the term of the lease.

~~WITNESSES:~~

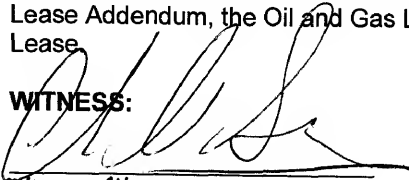
by: Randy Benedict V.P. Oper.

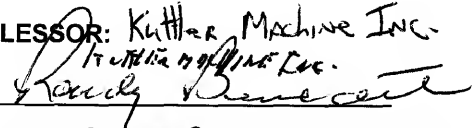
ADDENDUM OF OIL AND GAS LEASE - page 3

- 3) Lessee Agree To pay Lessor The Sum of \$10,000.⁰⁰ (ten thousand dollars) As a spud fee for each well drilled on Lessor's property 14 day after the commencement of drilling.
- 4) Lessor shall have the right to Approve well locations, Roadways, pipelines and tank battery locations; said approval shall not be unreasonably withheld.
- 5) No unitization without prior written consent from the Lessor.
- 6) The within lease shall cover from surface to (100) one-hundred feet below the Clinton & Medina Sandstone Formation or its stratigraphic equivalent.

In the event that there is a conflict between the Oil and Gas Lease and the Oil and Gas Lease Addendum, the Oil and Gas Lease Addendum shall override the Oil and Gas Lease

WITNESS:


Christopher P. Schind

LESSOR: Kuttler Machine Inc.
Kuttler Machine Inc.

by: Randy Benedict VP Oper.

LEASE # _____